REGIONAL

ECONOMIC GOALS

THIS NOTE IS LEGAL
FOR ALL DEBTS, PUBLIC

Regional Economic Goals

In view of the region's economic history and its current circumstances, what are the appropriate goals at which policy makers should be aiming? A multitude of economic targets can be envisioned, but most, on closer inspection, will turn out to be intermediate in nature. The fundamental economic goal of regional planning must be to improve the welfare or standard of living of those who work and reside there. Unfortunately, standard of living is a subjective concept; planning requires objective criteria. The statistical measure that comes closest is real personal income. Aims such as increasing the number of jobs or maintaining the competitiveness of regional industries, which are discussed later in this chapter, are really intermediate objectives to be met in order to grow personal incomes in the region. Hand in hand with income growth must be the broad goal of *equity*: ensuring that the maximum possible number participate in growth of prosperity.

1. Prosperity: Real Income Growth

Real personal income (personal income adjusted for inflation) is the broadest single statistical measure of well-being or standard of living. As such, growth of real income is more important as a regional economic target than growth of jobs alone. To provide a meaningful measure of progress in achieving prosperity, we need a unit by which the dollar value of total personal income in the region can be divided. Here there are several choices: standard measures include real personal income per household, per family, per capita, and per worker.

For purposes of a regional economic strategy, neither income per family nor income per household seem appropriate. Household formation and family size are both influenced by many variables that are not directly related to the state of the regional economy: culture, religion, and ethnicity to name a few.

Real personal income per capita is probably the least biased of measures, but it suffers from the drawback that rapid growth in the population (including that caused by immigration) at certain times may cause distortions. Expressing the total on a per-employee basis would not take account of the effect of changes in unemployment. However, if we were to use the number of members of the labor force (both employed and unemployed) as the denominator, this distortion would be eliminated.

Income targets for 2020 should be phrased in terms of desired growth rates of real income, with both a minimum and a moderate goal. For example, expressed in per capita terms, the minimum acceptable growth rate could be zero; i.e., Minimum = no further decline. This would mean that personal income in the region would have to grow each year at least as fast as the rate of inflation plus the rate of population growth. In 1998, for example, personal income would have had to grow by roughly 3 percent to meet this target (population growth:1.53% + an inflation rate of 1.44%).

The "moderate" income growth target could be to match the performance of the last intercensal period, that is, Moderate = per capita real income growth per annum at its average rate during the 1980s. This would mean, for the region as a whole, an annual compound increase on the order of 0.7 percent.

2. Equity: Ensuring Economic Gains are Broadly Shared

It is not enough that the region experience growth in average real income. The second goal of this chapter is that the region's gains in economic prosperity are shared broadly by residents throughout the region. Both this goal and the previous one are "grass roots" in the sense that they were agreed upon by business, government, labor, academic and community group representatives in SCAG's continuing work on the Economic Chapter.

Southern California is probably the most diverse region of its size in the world. The region's population includes residents of very different cultural backgrounds, educational attainment levels, work experience, skills and income. Our diversity is so great that regional prosperity cannot be achieved unless all major groups participate.

Note that a goal of broadly shared prosperity does not imply a strategy of *redistributing* today's income. Strategies to ensure that future economic gains are broadly distributed are based, by contrast, on expanding opportunity and the commitment of business and government leaders to recognize that individuals and communities left behind today must be made full partners in the growth of tomorrow's economy.